

– The spoken word shall prevail –

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**Deutsche Telekom AG**

**Conference Call – Third quarter report of 2010**  
**November 4, 2010**

Good morning Ladies and Gentlemen,

A warm welcome to the presentation of our figures for the first nine months.

Let's start with the most important thing: Overall, the 2010 financial year has gone well for us so far – particularly if you take into account external factors that have not helped.

Looking at the details for the third quarter, you realize that business has been stronger in some places, and more challenging in others. Yet this mixed picture should not detract from the good overall impression: The Group's financial and operational development is fully in line with our expectations. If this were a relay race, we might well conclude that the split times from the first three quarters have been good enough to take us across the finishing line at the end of the year as predicted.

In short, the results of the third quarter – and the first nine months overall – confirm our assessment that we will achieve the forecast financial targets for 2010.

Adjusted EBITDA will be in the planned order of some EUR 20 billion – less the contribution of T-Mobile UK. With free cash flow, we will achieve a figure of at least EUR 6.2 billion.

So you see, our guidance stands! And that means the basis for the 2010 dividend also stands. We have also started with our share buybacks and have currently reached a volume of EUR 91 million.

And all of that, as I said, despite some unwelcome external developments. I do not intend to go into any further detail on the well-known negative repercussions of regulatory decisions and the difficult economic climate today.

The recently levied special tax passed by the Hungarian parliament has, however, taken things onto an entirely different plane. It is an arbitrary decision that hurts Hungary as a place to do business. To put a figure on it, the new tax will reduce Deutsche Telekom's net profit by EUR 0.1 billion in this year and each of the next two years. In conditions such as these, we need to weigh up our investment decisions even more carefully in the future.

And nonetheless – let me emphasize once again – our guidance for 2010 stands!

I would now like to turn to the key trends in the first nine months:

- Net revenue increased slightly year-on-year – in other words after deconsolidation and elimination of T-Mobile UK.
- Adjusted EBITDA was entirely in line with forecasts at EUR 14.9 billion.
- Free cash flow of EUR 4.8 billion was also in line with our expectations.
- Business in Germany posted excellent figures in mobile communications and is doing well in the fixed network. We have achieved our operating targets both in terms of the DSL market share of net adds and Entertain packages. We have done better than expected in terms of line losses. I will return to our good results in Germany in detail in a moment.

The key messages from the third quarter:

- We have increased net profit by 22 percent year-on-year. This excludes T-Mobile UK to facilitate better comparison of the figures.
- We posted good results in domestic mobile communications. Revenue and EBITDA growth have remained intact.
- The third quarter was our best ever in terms of the iPhone, with almost 400,000 handsets sold. And yet – to preempt your questions – in our opinion, the expiry of the exclusive agreement with Apple last week makes perfect sense.

The smartphone market today is totally different from what it used to be two or three years ago. Today we have a whole series of very attractive handsets from different manufacturers in our line-up. These include smartphones running the Android operating system – which, incidentally, in the United States is now already more popular than the iPhone. Yesterday we also started marketing the Windows Phone 7, Microsoft's strong response. And of course, we will continue to have the iPhone. We are combining all of these with the new rate plan

portfolio – that was also launched yesterday – attractively priced and clear! We will therefore continue to benefit from the strong smartphone growth trend in Germany.

T-Mobile USA is also seeing a constant increase in demand for smartphones. We therefore expect accelerated growth in revenue from data services and revenue stabilization in the United States. By contrast, however, we are not yet satisfied with the churn rate, the figure that reflects the number of customers switching providers.

In the Europe segment, we have successfully been fighting adverse economic and, in part, political external factors – something I mentioned earlier. Nonetheless, we are doing well with strong margins and cash flows.

T-Systems remains on track with increasing external revenues and a further improvement in its adjusted EBIT margin.

We have made further good progress with our Save for Service program. This year we have made savings of EUR 1.7 billion in total.

The very good development of our net profit is worthy of particular mention when it comes to the Group key figures for the third quarter. As expected, free cash flow is clearly below the extremely strong 2009 figure. But the development over the course of the year is pleasing and, as already said, the results after nine months are in line with expectations. Comparing in detail the third quarter of 2009 with the third quarter of 2010, it becomes clear what lies behind the development of revenue and EBITDA.

Admittedly, we have benefitted from favorable exchange-rate fluctuations, which affected the U.S. dollar in particular, and the Polish zloty. Both currencies have strengthened year-on-year compared with the Euro. The fall in

adjusted EBITDA – you can also see that here – is essentially down to business in the Europe segment.

Ladies and Gentlemen,

In March, we presented to you our new Fix – Transform – Innovate strategy. Since then we have implemented a host of specific measures. One example: We are working flat out on expanding the infrastructure for the gigabit society. Only three months after the auction of the LTE mobile communications licenses, we launched the first 4G mobile base station in Brandenburg. In the meantime, LTE locations have also been commissioned in other German federal states. An important step in eliminating the "white spots" on the high-speed Internet map in Germany. We will also shortly begin rolling out fiber optic in two pilot cities.

Let us turn to "connected work": We have further expanded our leading position in cloud computing when it comes to systems business in Germany: T-Systems already provides 10 million SAP transactions from the cloud, equaling around two thirds of the total volume, which makes "Dynamic Services for SAP" the most successful solution in our cloud portfolio.

We also believe we are on the right track when it comes to "Improving Competitiveness in Mobile Communications." That applies especially to mobile data business. We already have strong figures in this strategic growth area: After nine months, we have already generated revenues of EUR 3.2 billion from the mobile Internet.

As far as the Intelligent Network Solutions segment is concerned, we have only just begun. We introduced the managers responsible for the growth areas of healthcare, energy, and connected car to you in September.

Before Tim Höttges runs through the figures for the Group and individual segments in more detail with you in a moment, I would like to focus on one question in particular: Where do we stand after nine months with our U.S. mobile communications business?

We are now operating a network with 4G speeds in the United States. Our customers can use the mobile Internet at speeds of up to 21 megabits per second, with speeds set to go as high as 42 megabits per second as part of subsequent expansion. We have the fastest network today, a fact confirmed not just by our own measurements but also by numerous independent tests. We intend to make full use of this lead and are also going on the offensive with a marketing campaign that was launched yesterday.

The consistent network expansion and our improved product portfolio are going down well with customers: We have now sold a total of 7.2 million 3G smartphones in the United States. Our target by the end of 2010 was 8 million, a figure we should be able to exceed. For comparison: At the start of 2010, we had sold just 3.9 million. By the end of the year HSPA+ will also be available to some 200 million customers.

Accordingly, average data revenue per customer is also developing favorably in the U.S. and is now at USD 12.40, almost two dollars more than in the same period last year. The rate of increase is not flattening out here. On the contrary, it is gaining momentum, which is a promising development. Overall, we have continued to further stabilize service revenues in the United States. In the third quarter we were just one decimal point below the 2009 figure, and were therefore doing better than in the previous quarters.

We gained some 140,000 customers in the third quarter. That is pleasing news after net losses in the previous two quarters. The increase was driven by the prepaid segment. This compares with a loss of 60,000 in the contract customer

segment. And all despite the gross adds even having increased substantially. As I said earlier: Preventing contract customer churn is the major challenge we face in the United States. We are working on it. The bottom line is that network expansion and customer acquisition cost money. Accordingly, adjusted EBITA is USD 1.3 billion – 14.8 percent below the 2009 figure.

You will be aware that Philipp Humm took over as CEO of our U.S. business this week. In the past few months, he has got up to speed on the specifics of the U.S. market, receiving lots of assistance from his predecessor Robert Dotson. At this point, let me thank Robert once again for his first-class work over the past few years.

Today, we are facing new challenges in the U.S. market, but also new opportunities. We set ourselves clear milestones for 2010 – in relation to network expansion, terminal devices, sales, and rate plans. We have achieved these milestones – or are about to achieve them. The starting conditions are therefore right. We are now laying the groundwork for where we want to be in the future. Early next year, Philipp Humm and I will bring you up to date on our new strategy in the United States.

And with that, I would now like to hand you over to Tim Höttges.